

Old Age, Disability, Death

First law: 1953 (pension provisions first implemented in 1969).
Current law: 1996 (mandatory private insurance, to be implemented in 1997).

Type of program: Social insurance system and mandatory private insurance.

Exchange rate: U.S.\$1.00 equals 8.76 colones.

Note: The 1996 law established a new private insurance system while eventually phasing out the old social insurance system. Until the new private system is implemented, sometime in 1997, the old one remains in force, referred to below as the **old system**. Once the provisions for private pensions are implemented, the old social security system will be closed to new entrants and modified, referred to below as the **public system**. Provisions of the new private system are referred to below as **private system**.

Coverage

Old system—Employees in industry, commerce, and services, domestic employees and self-employed. Exclusions: Agricultural, and casual labor. Special system for public employees.

Public system—Within the first 6 months of implementation of the private system all insured who are more than 36 and less than 55 years old may remain in old system. Closed to new entrants.

Private system—All employees in private, public, and municipal sectors.

Source of Funds

Old system—Insured person: 1% of earnings. Recipients of sickness, maternity, and work-injury benefits also contribute 2% of benefits.

Employer: 2% of payroll.

Government: 0.5% of earnings.

Maximum earnings for contribution and benefit purposes: 18,414 colones a month; minimum, 300 colones a month.

Public system: Insured person 3.5% of earnings (rising gradually to 7% by 2002).

Employer: 4.5% of payroll (rising gradually to 7% by 2002).

Government: For those individuals who switch to the private system, payment of value of insured's contributions under the old system.

Private system: Insured person: 3% of earnings for the first year to cover administrative costs; 1% for the second year, rising to 3.25% in the seventh year. Additional cost for disability and survivors' insurance.

Employer: 4.5% of earnings for the first year to cover administrative costs; 5% for the second year, rising to 6.75% in the seventh year.

Government: Guarantees minimum pension.

Minimum earnings: legal minimum wage. Ceiling for contribution purposes: gross monthly earnings.

Qualifying Conditions

Old system—Old-age pension: Age 60 (men) or 55 (women) with 750 weeks of contribution. Reduced pension payable up to 5 years earlier with 1,250 weeks of contribution, if unemployed during

preceding 12 months or 50% disabled due to unhealthful or arduous occupation. Retirement necessary. Payable abroad.

Old-age settlement: Age 60 (men) or 55 (women), with at least 250 weeks of contribution and unemployed during preceding 3 months.

Disability pension: Loss of 2/3 of earning capacity. Contribution requirement varies with age, ranging from 100 weeks during past 4 years to 300 weeks during last 11 years.

Survivor pension: Deceased was pensioner, or covered at death with at least 750 weekly contributions.

Public system—Old-age pension: Age 60 (men) and 55 (women) with 25 years of contribution. If 30 years of contribution, no age requirement.

Old-age settlement: Age 60 (men) and 55 (women) with 50 weeks of contributions and earnings less than minimum salary.

Disability pension: Loss of 2/3 earnings capacity for total disability and 50-66% for partial disability with 36 months of contributions half of which must have been in the 6 months prior to onset of disability. Applies to those below age 60 (men) or 55 (women); at these ages, become eligible for old-age pension.

Survivor pension: Deceased was old-age or disability pensioner or had 5 years of contributions or 12 months of unemployment, or 10 years of contributions with 12 months of unemployment.

Private system —Old-age pension: Age 60(men) or 55 (women) with 25 years of contributions or no age requirement with 30 years of contributions. Retirement also permitted if pension equals at least 70% of basic earnings or 160% of current minimum pension.

Disability pension: Loss of 2/3 earning capacity for total disability or 55-66% for partial disability. Has not reached the age requirements for an old-age pension.

Survivor pension: Deceased was pensioner or had 6 months of contributions in the 12 months prior to death.

Old-Age Benefits

Old system—Old-age pension: 40% of average monthly earnings, plus 1.25% of earnings for each 50 weeks of contribution beyond 150 weeks. Minimum: 700 colones a month.

Increment of 3% of earnings for each 50 weeks retirement deferred beyond pensionable age.

Maximum pension: 90% of average monthly earnings.

Reduced pension: 30% of average monthly earnings, plus 1.25% of earnings for each 50 weeks of contribution beyond 150 weeks.

Old-age settlement: Lump sum equal to 50% of monthly earnings for each 50 weeks of contribution or fraction thereof.

Adjustment: Pensions adjusted to increases in cost of living.

Public system—Old-age pension: 30% times 3 years of contributions at the base salary. Base salary is equal to the average of the last 120 months of earnings. Increment of 1.5% for each additional year. Minimum pension: 700 colones per month.

Maximum pension: 100% of base salary.

Old-age settlement: 10% of base salary for each month of contribution.

Private system—Old-age pension: Insured's contributions plus accrued interest. Value of insured's contributions under the public system provided as indexed bond. At retirement, insured may make withdrawals from individual account, regulated to guarantee income

for expected lifespan, or buy annuity from private insurance company, or a combination of the two.

Permanent Disability Benefits

Old system—Disability pension: 40% of average monthly earnings, plus 1.25% of earnings for each 50 weeks of contribution beyond 150 weeks. Minimum: 700 colones a month. Granted initially for provisional period of 2-3 years.

Constant-attendance supplement: 20% of average monthly earnings. Maximum pension: 90% of earnings.

Public system—Disability pension: 30% times 3 years of contributions at the base salary. Base salary is equal to the average of the last 120 months of earnings. Increment of 1.5% for each additional year. Minimum pension: 700 colones per month.

Private system—Disability pension: 70% of base salary for total disability; 50% for partial disability.

Survivor Benefits

Old system—Survivor pension: 60% of pension paid or accrued to insured. Payable for life if widow over age 55 or disabled; otherwise for 3 years or until minor children reach age 16.

Orphans: 30% of pension paid or accrued to insured, or 40% if full orphan, for each child under age 16 (21 if student) or disabled.

Other survivors: 60% of pension for 2 surviving parents, 40% for one.

Maximum survivor pensions: 90% of pension of insured.

Funeral grant: 2 month's earnings. Minimum, 2,768.40 colones.

Public system—Survivor pension: 50% of pension of insured payable to widow (married at least 6 months prior to death of insured), female companion (cohabiting for the last 3 years prior to death of insured, except if pregnant, has child or is disabled) and disabled widower.

Orphans: 25-40% of pension of insured for each child less than 18 years old (24 if student, no limit if disabled) up to a maximum of 100%.

Other eligible survivors: direct descendants, 40% of pension of insured. 30% each to father at least age 60 and mother at least age 55.

Funeral grant payable under Sickness and Maternity, below.

Private system—Survivor pension: 60% of pension of insured payable to spouse with no eligible children; 50% if children. 25% to each child. 20% each to father and mother, 30% if only one. If no spouse, 40% each to father and mother; 80% if only one.

Administrative Organization

Public System: Salvadorian Social Insurance Institute, an autonomous agency, responsible for planning, management and administration of program.

Supervised by board of twelve directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor and other professional groups.

Private system: Superintendent of Pension Fund Management Companies, general supervision.

Individual pension fund management companies (AFP's), administration of individual capitalization accounts.

Sickness and Maternity

First law: 1949.

Current law: 1953.

Type of program: Social insurance system. Cash and medical benefits.

Coverage

Employed and self-employed persons in industry and commerce and pensioners. Exclusions: Agricultural, domestic, and casual employees. Special system for public employees. (When new system is implemented, public employees' health care system will be unified.)

Source of Funds

Insured person: 3% of earnings. Self-employed, 10.50% of earnings. Pensioners, 7.8% of old-age and disability pensions; 6% of work injury pensions. Covered public employees, 2.67% of earnings.

Employer: 7.50% of payroll. Covered public employees, 6.68% of payroll.

Government: Annual subsidy of not less than 5,000,000 colones (adjusted every 5 years).

Maximum earnings for contribution and benefit purposes: 6,000 colones a month; minimum, 300 colones a month.

Above contributions also finance work-injury benefits.

Qualifying Conditions

Cash sickness benefits: No minimum qualifying period for persons currently employed. If unemployed, 8 weeks of contribution during last 3 calendar months preceding application.

Maternity benefits: 12 weeks of contribution during last 12 calendar months before confinement.

Medical benefits: No minimum qualifying period for persons currently employed. If unemployed, 8 weeks of contribution during last 4 months preceding application.

Sickness and Maternity Benefits

Sickness benefit: 75% of average monthly earnings received during first 3 of last 4 months.

Payable after 4-day waiting period for up to 52 weeks.

Maternity benefit: 75% of average earnings, payable for up to 12 weeks. Also, free milk for up to 12 weeks with medical prescription and layette.

Workers' Medical Benefits

Medical benefits: Medical services ordinarily provided through facilities of Social Insurance Institute or private services. Home care available in emergency cases. Includes medical and surgical care, hospitalization, drugs, laboratory services, maternity care, dental care, and appliances. Duration: 26 weeks (may be extended to 52 weeks).

Dependents' Medical Benefits

Medical benefits for dependents: Wife receives pre- and post-natal care, milk allowance, layette, and medical and dental

benefits for sickness and accidents. Children up to age 6 receive ambulatory care but no dental care.

Administrative Organization

Salvadorian Social Insurance Institute, an autonomous agency, responsible for planning, management and administration of program. Supervised by board of twelve directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor, and other professional groups.

Institute operates own clinics and hospitals; it also contracts services from the Ministry of Health and the private sector where required.

Survivor Benefits

Survivor pension: Same as survivor pension under Old Age Disability Death, above.

Funeral grant: 2 month's earnings during the 2 years prior to death of insured. 3,811.4 colones.

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Institute operates own clinics and hospitals.; it also contracts services from the Ministry of Health and the private sector where required.

Work Injury

First law: 1911 (replaced by 1963 labor code, in force for workers to whom social insurance not yet extended; provisions not shown).

Current law: 1953 (social insurance).

Type of program: Social insurance system.

Coverage

Employed and self-employed persons in industry and commerce.

Exclusions: Domestic and casual employees.

Special system for public employees.

Source of Funds

Insured person: See sickness insurance contributions above.

Employer: Same.

Government: Same.

Qualifying Conditions

Work-injury benefits: No minimum qualifying period.

Temporary Disability Benefits

Temporary disability benefit: 75% of average monthly earnings received during first 3 of last 4 months. Payable from day after injury, until recovery or award of pension, for up to 52 weeks.

Permanent Disability Benefits

Permanent disability pension: 70% of average monthly earnings during last year if disability greater than 66%. Minimum: 700 colones a month. 60 colones a month for each dependent child under age 16 (21 if student) or disabled.

Child's supplement: Same as old-age benefit.

Constant-attendance supplement: 50% of pension.

Partial permanent disability: Percent of full pension corresponding to loss of earning capacity, if disability between 35% and 66%; if between 20% and 35%, temporary pension equal to double amount of permanent pension according to percent of disability, payable for up to 3 years.

Workers' Medical Benefits

Medical benefits: Same as for ordinary sickness above.